

Interim Financial Information

(Un-audited)

For the 1st Quarter Ended
September 30, 2012



Mari Gas Company Limited

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BOARD OF DIRECTORS

- | | |
|---|------------------------|
| 1. LT GEN MUHAMMAD MUSTAFA KHAN (RETD)
Managing Director, Fauji Foundation | Chairman |
| 2. LT GEN (R) RAZA MUHAMMAD KHAN
Managing Director/CEO, Mari Gas Co Limited | Chief Executive |
| 3. MR KAISER JAVED
Director Finance, Fauji Foundation | |
| 4. DR NADEEM INAYAT
Director Investment, Fauji Foundation | |
| 5. MAJ GEN (R) ZAHID PARVEZ
Director Welfare Education, Fauji Foundation | |
| 6. BRIG (R) DR GULFAM ALAM
Director P&D, Fauji Foundation | |
| 7. MR PERVAIZ AKHTAR
Financial Advisor, Ministry of P&NR | |
| 8. QAZI MOHAMMAD SALEEM SIDDIQUI
DG Petroleum Concessions, Ministry of P&NR | |
| 9. MR MASOOD SIDDIQUI
Managing Director/CEO, OGDCL | |
| 10. MR MUHAMMAD RIAZ KHAN
Executive Director/Joint Venture, OGDCL | |
| 11. MR MUHAMMAD RAFI
A/Executive Dir (Fin)/CFO, OGDCL | |
| 12. MR LIAQAT ALI
Member MGCL Board of Directors | |
| 13. MR MANZOOR AHMED
Chief Operating Officer/SEVP NITL | |

COMPANY SECRETARY

MR ASSAD RABBANI

DIRECTORS' REVIEW

We are pleased to present to you financial information for the 1st quarter ended September 30, 2012.

FINANCIAL RESULTS

Gross sales for the 1st quarter amounted to Rs. 15,287 million whereas gross sales for the corresponding period were Rs 8,710 million. The increase is mainly due to increase in gas sale volume and increase in average selling price including imposition of Gas Infrastructure Development Cess. The operating results for the quarter show profit after tax of Rs 380 million as against Rs 793 million for the corresponding quarter of the previous income year. The main reason for decrease in profit is increase in royalty, operating expenses, exploration and prospecting expenditure and decrease in other operating income which is partially offset due to increase in well head value, sales volume and decrease in finance cost.

Presently the shareholders are entitled to guaranteed rate of return of 30% per annum. The return to shareholders is escalated in the event of increase in the Company's gas production beyond the level of 425 MMSCFD at the rate of 1% for each additional 20 MMSCFD of gas or equivalent oil produced, prorated for part thereof on annual basis, subject to a maximum of 45% per annum. Accordingly, based on this arrangement under Gas Price Agreement, additional return at 7.07% has been provisionally provided for in the financial information for the three months ended September 30, 2012. Any adjustment/ variance does not affect the minimum guaranteed rate of return to the shareholders.

OPERATIONS

The company continued un-interrupted gas supply from July 01, 2012 to September 30, 2012 to all its customers namely, Engro Fertilizer Limited (EFL), Fauji Fertilizer Company Limited (FFC), Fatima Fertilizer Company Limited (FFCL), Pakistan Electric Power Company Limited (PEPCO), Foundation Power Company Daharki Limited (FPCDL), Sui Northern Gas Pipelines Limited (SNGPL) and Sui Southern Gas Company Limited (SSGCL). Cumulative gas of 51,649 MMSCF at a daily average of 561 MMSCF and 6,817 barrel of condensate were produced from Mari Filed during the period as against 50,409 MMSCF at a daily average of 548 MMSCF and 8,444 barrel of condensate for the corresponding period of last year as per the requirement/withdrawal of the customers. In addition, 187 MMSCF of gas, 5,123 barrel of condensate, 40,587 barrel of crude oil and 219 metric ton of LPG was produced and sold from joint ventures during this period, whereas 204 MMSCF of gas, 12,337 barrel of condensate, 297 barrel of crude oil and 727 metric ton of LPG was produced and sold in the comparative period.

Regular maintenance of gas gathering network and production facilities was carried out and production optimization plans were followed as per the good oil/gas field practices, effective production and reservoir management.

FUTURE CHALLENGES

Allocation of Additional gas supply from Mari Gas Field

Currently MGCL is producing a total of 495 MMSCFD co-mingled gas from its Habib Rahi, Pirkoh and Sui-upper/ Sui-Main limestone (SUL/SML) reservoir. From the said production gas is being supplied to three fertilizer customers namely FFC, EFL, FFCL and PEPCO.

Based on wells production and reservoir data gathered so far, MGCL is in a position to enhance the production from its shallow reservoirs and supply additional 22 MMSCFD gas to the above said customer.

In this regard, MGCL requested Ministry of Petroleum and Natural Resources to allocate the said 22 MMSCFD gas for a period of approximately two years to any one of the existing

customers, preferably from the Fertilizer sector. In this regard, approval and gas allocation from Government of Pakistan is awaited.

In addition, production of 109 MMSCFD from Mari Deep is being supplied to Foundation Power Company Daharki Limited and Sui Northern Gas Pipelines Limited.

Drilling of Infill HRL Wells

Drilling activities for five infill HRL wells are in progress. Drilling crew from Rig Mari-1 is being engaged in drilling operations. In addition, administrative and technical support is provided by Daharki office as well. So far infill wells 94, 95, 97 and 93 have been successfully drilled and completed in Habib Rahi lime stone formation. Drilling of remaining Infill well 92 will commence as per plan.

All the long lead items including Knock Out Drums (KOD), line pipe and surface equipment have been received at site. Contractor has been mobilized to site and construction / installation works is being carried out simultaneously with the drilling activities.

Drilling of Two Pirkoh & One Water Disposal Wells

In order to drain the Pirkoh reservoir optimally and as part of the Management vision, drilling of Pirkoh 4 and 5 and one water disposal well at MDCPF are planned to commence soon after drilling of Infill HRL wells, subject to procurement / delivery of long lead items.

Development of Zarghun Gas Field

Study by consultants for certification of tight gas reservoirs mandatory for qualification of tight gas incentive notified under Tight Gas Price (TGP) 2011 was completed. In the light of study results communicated by consultant, revised / supplemental development plan was prepared for TGP price qualification and submitted to DGPC on May 22, 2012 after sharing with JV partners. Approval of Supplemental Development Plan has been granted by DGPC.

EXPLORATION ACTIVITIES

MGCL's working interests in exploration licenses in Pakistan and Overseas are as follows:

Sr. No	Name of Block	MGCL's Working Interest	Name of Operator
1	Ziarat Exploration License	60%	MGCL
2	Karak Exploration License	60%	MGCL
3	Sukkur Exploration License	58.8%	MGCL
4	Hanna Exploration License	100%	MGCL
5	Harnai Exploration License	40%	MGCL
6	Sujawal Exploration License	100%	MGCL
7	Ghuri Exploration License	65%	MGCL
8	Hala Exploration License	35%	PPL
9	Zindan Exploration License	35%	PPL
10	Kohlu Exploration License	30%	OGDCL
11	Kalchas Exploration License	20%	OGDCL
12	Kohat Exploration License	20%	OGDCL
13	Bannu West Exploration License	10%	Tullow Pakistan
14	Oman 43B (Overseas Block)	25%	MOL

Operated blocks

Ziarat Block

In order to produce the well with artificial lift, the tie back seal assembly, casing hanger assembly and tubing head spool have been procured, whereas the delivery of jet pump is expected in October 2012 and work over shall be carried out in November 2012. Thereafter, extended well testing (EWT) is expected to commence in November / December 2012.

The philosophy for disposal of produced water from the well has been formulated and procurement of gun barrel tanks, water treatment plant and evaporators is in progress.

Preparations are in place to bring Khost Well 3 on production through jet pump by end of December, 2012.

MGCL is pursuing the contractor to start seismic data acquisition in the area.

Karak Block

Detailed engineering study of Halini Oil facilities is being carried out by consultants. Front End Engineering Design (FEED) was completed and designs were evaluated satisfactorily in Hazards & Operability (HAZOP) conference. BOQs and specification for civil, mechanical and electrical works have been prepared and purchase requisitions are accordingly being initiated. Onsite execution for development activities will be carried out as per plan. Contractor's rental facilities have been released and six tanks of 3000 bbls capacity have been hooked up for crude storage. Civil works are in progress for construction of permanent facilities.

Work on 3D seismic data of about 330 sq. km over Halini discovery area and Kalabagh lead has commenced in order to plan additional wells over discovery area and firming-up of additional drillable prospect.

Testing to select final parameters was carried out on September 27-28, 2012 and seismic recording is expected to commence by end of October/early November 2012 as lead time is required by the drilling crew.

2D seismic data acquisition of 150 line km is also planned for firming-up of identified lead into drillable prospect.

Sukkur Block

Exploratory well Mian Miro-1 was drilled down to a depth of 1250 m and was completed on May 24, 2012 at SUL/SML levels. Operator intends to carry out test for eight weeks (four weeks each for SML and SUL) to monitor the flow rates, evaluate reservoir characteristics and its depletion trend in order to determine the true potential of the well before bringing it on gas production through EWT. In this regard, a letter was sent to DGPC for approval of eight weeks EWT at the well. This is expected to commence after Government's approval. During Drill System Test (DST), SML produced gas at 1.44 MMSCFD & SUL produced gas at 0.45 MMSCFD.

Sukkur JV partners applied for two years extension to conduct short duration test and to complete the G&G Studies in order to determine the remaining hydrocarbons potential of the block.

Hanna Block

The location of exploratory well (Hanna X-1) in Hanna Block has been finalized to drill Hanna Well X-1 by second quarter of 2013. Already procured long lead items for Khost wells will be utilized for drilling operations at the well. The process of acquiring the required services for drilling of Hanna X-1 is in progress.

MGCL has requested DGPC for grant of eight months extension in third license year to fulfill the commitment of drilling of exploratory well Hanna X-1 in the block.

Harnai Block

Operator continued pursuing contractor to re-mobilize its crew to acquire remaining 146 line km 2D seismic data, which is pending due to security concerns.

Sujawal Block

Term sheet for gas sale from Sujawal was signed with M/s SSGC. Accordingly, SSGC shall construct 22 km transmission pipeline from Sujawal well to their tie-in point. During the EWT period, MGCL shall supply dehydrated gas without further processing.

Detailed engineering is being conducted by the consultants. Site civil works for earth filling and construction of foundations are in progress. MGCL has mobilized its personnel at site to monitor and check quality of executed works.

The seismic data acquisition contract for 110 line km was awarded to contractor, which is expected to commence during first quarter of 2013, followed by processing and in-house interpretation for delineation of drillable prospect.

Ghuri Block

Seismic data of 251 LKM has been acquired. Based on test line processing results, evaluation of four vendors was completed and contract was awarded to the successful vendor to which the JV Partner also agreed and newly acquired data has been sent to them.

The said processing will be followed by in-house interpretation for selecting well location by end of December 2012.

Reprocessing of 650 line km. 2D seismic data is ongoing which would be completed by November 2012.

As decided by the Management and JV partners, new exploratory well Ghauri X-1 will be drilled in Ghauri block. The location of the well will be finalized after interpretation of recently acquired seismic survey data. Design and planning of long lead items required for drilling of well Ghauri X-1 has been completed. The procurement of long lead items is being initiated.

Non Operated blocks

Hala Block

Preparations are underway to carry-out work over job at Adam X-1 to bring Lower Basal Sands on production.

Kohlu Block

Exploration activities in the block are suspended due to security situation.

Kalchas Block

JV has planned drilling of two exploratory wells, however, their locations were not stacked on ground due to security concerns.

Kohat Block

Based on wireline logs and well testing results, JV partners unanimously agreed to suspend the Kohat - 1 well for further evaluation.

Bannu West Block

Exploration activities in the block are suspended due to security situation.

Oman 43 B

In view of the Company's decision not to participate in the drilling of Oman block's optional exploration well being high cost, high risk and relatively low reward; the Company pursued farming out its entire 25% interest in block to other interested E&P companies both locally and overseas. Resultantly, it is in advance phase of negotiation with MOL who has offered to acquire MGCL's 25% interest share in the Oman block.

Zindan Block

As of September 30, 2012, 2D seismic data 230 line km has been acquired against planned 443 line km. It is anticipated that the said seismic survey would be completed by end of December 2012. The said data acquisition would be followed by processing/interpretation to identify the drillable prospects.

New Areas

The Company continues to pursue its evaluation of potential sedimentary basins of the country to identify new exploration areas as well as assessing prospects and negotiating terms for Company's participation in the already awarded blocks through farm-in agreements with other companies.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In pursuance of its CSR mission, MGCL is continuously striving for provision of better facilities in multifarious fields including health, education, provision of clean water and communication infrastructure etc by under taking various social welfare schemes in its operating areas.

i. Education

Education being important facet of corporate social activity, the Company is spending a substantial amount on construction, renovation and maintenance of various schools at all JV blocks as well as its own operating areas. One of the projects by MGCL is "Adoption of Middle Boys School Kamerser, District Mianwali".

Construction work of Mari Education Complex at Mari Field is in progress at a rapid pace and 30% work has been completed so far.

ii. Water Supply Schemes

MGCL has contributed a lot in this area of paramount importance. Some of the details are as under:-

- ◆ **Sindh:** At Mari Field Daharki, fifteen water tanks have been constructed and clean drinking water is being provided by our own tankers regularly.
- ◆ **Baluchistan:** Water channel has been constructed at Zarghun and Ziarat.
- ◆ **Punjab:** At Kamerser, Mianwali District numerous tube wells were installed, water wells were dug, and a water supply scheme has been renovated.

iii. Health

- ◆ Substantial amount is being spent on health facilities.
- ◆ Free dispensary at Kamersar is being upgraded by providing all basic facilities.
- ◆ Establishment of dispensary at Sujawal is in progress.

CSR Plan for Year 2012-13 at Sujawal, Ziarat, Zargun, Karak and Sukkur blocks

- ◆ Establishment of free eye camps at various locations in collaboration with Al-Shifa Eye Trust during winter season.
- ◆ Adoption of Government Girls / Boys Primary Schools.
- ◆ Provision of clean drinking water.

MGCL is operating several joint venture exploration blocks in all the four provinces of the country. These JV blocks remain the focus of the company's CSR program. Some of the completed projects have already been handed over to the district governments as per government policy. Work on some projects in JV blocks is currently in progress.

For and on behalf of the Board

**Lt Gen Muhammad Mustafa Khan (Retd)
Chairman**

**Islamabad
October 25, 2012**

MARI GAS COMPANY LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2012

	Note	30.09.2012	30.06.2012
(Rupees in thousand)			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 250,000,000 ordinary shares of Rs 10 each		2,500,000	2,500,000
Issued, subscribed and paid up capital		918,750	918,750
Undistributed percentage return reserve	5	420,048	420,048
Exploration and evaluation reserve		4,165,977	4,150,409
Profit and loss account	6	6,350,890	5,986,939
		11,855,665	11,476,146
NON-CURRENT LIABILITIES			
Long term financing - secured	7	725,556	946,667
Deferred liabilities	8	4,438,864	4,415,608
		5,164,420	5,362,275
CURRENT LIABILITIES			
Trade and other payables	9	17,021,615	15,950,674
Current maturity of long term financing - secured	7	442,222	442,222
Interest accrued on long term financing		7,468	56,273
		17,471,305	16,449,169
CONTINGENCIES AND COMMITMENTS	10		
		34,491,390	33,287,590

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.



Li Gen (R) Raza Muhammad Khan
 Managing Director/CEO

MARI GAS COMPANY LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2012

	Note	30.09.2012	30.06.2012
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property plant and equipment	11	4,445,937	4,472,186
Development and production assets	12	3,388,172	3,424,616
Exploration and evaluation assets	13	4,165,977	4,150,409
		12,000,086	12,047,211
Long term loans, advances, deposits and prepayments		17,741	16,641
Deferred income tax asset		555,633	490,528
		12,573,460	12,554,380
CURRENT ASSETS			
Stores and spares		804,225	806,905
Trade debts	14	16,557,682	15,151,485
Loans, advances, prepayments and other receivables	15	1,127,169	1,824,004
Cash and bank balances		3,428,854	2,950,816
		21,917,930	20,733,210
		34,491,390	33,287,590



Qaiser Javed
Director

MARI GAS COMPANY LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THREE MONTHS ENDED SEPTEMBER 30, 2012

	Note	30.09.2012	30.09.2011
		(Rupees in thousand)	
Gross Sales to customers	16	15,286,523	8,709,544
Gas development surcharge		5,436,672	5,144,536
General sales tax		2,039,190	1,172,100
Excise duty		366,250	362,862
Gas Infrastructure development cess		4,553,302	-
Windfall / petroleum levy		152,651	22,191
Provisional adjustment as per the Mari Gas Well Head Price Agreement		627,779	89,897
		<u>13,175,844</u>	<u>6,791,586</u>
Sales - net		2,110,679	1,917,958
Royalty		281,239	236,198
		<u>1,829,440</u>	<u>1,681,760</u>
Operating expenses	17	864,086	765,875
Exploration and prospecting expenditure		144,791	57,274
Other operating income	18	17,311	107,261
Other charges		71,309	69,484
Operating profit		<u>766,565</u>	<u>896,388</u>
Finance income		106,564	111,445
Finance costs	19	<u>49,077</u>	<u>56,396</u>
Profit before taxation		824,052	951,437
Provision for taxation	20	444,533	158,841
Profit for the year		<u>379,519</u>	<u>792,596</u>
Earnings per share - basic and dilutive			
Earnings per share on the basis of distributable profit (Rupees)	21	<u>1.35</u>	<u>1.21</u>
Earnings per share on the basis of Profit and Loss account (Rupees)	21	<u>4.13</u>	<u>8.63</u>

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.


Lt Gen (R) Raza Muhammad Khan
 Managing Director/CEO


Qaiser Javed
 Director

MARI GAS COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THREE MONTHS ENDED SEPTEMBER 30, 2012

	<u>30.09.2012</u>	<u>30.09.2011</u>
	(Rupees in thousand)	
Profit after taxation	379,519	792,596
Other comprehensive income	-	-
Total comprehensive income for the period	<u>379,519</u>	<u>792,596</u>

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.



Lt Gen (R) Raza Muhammad Khan
Managing Director/CEO



Kaiser Javed
Director

MARI GAS COMPANY LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THREE MONTHS ENDED SEPTEMBER 30, 2012

	<u>30.09.2012</u>	<u>30.09.2011</u>
	(Rupees in thousand)	
Cash flows from operating activities		
Profit before taxation	824,052	951,437
Adjustments for :		
Depreciation and amortization	174,699	200,593
Employees benefits - unfunded	6,680	5,270
Income on bank deposits	(106,564)	(111,445)
Finance costs	49,077	56,396
Working capital changes	947,944	1,102,251
(Increase) / decrease in current assets		
Stores and spares	2,680	(1,023)
Trade debts	(1,406,197)	(693,345)
Loans, advances, prepayments and other receivables	514,330	(61,656)
Increase / (decrease) in current liabilities		
Trade and other payables	1,162,183	(212,634)
Cash generated from operations	1,220,940	133,593
(Increase) in long term loans, advances, deposits and prepayments	(1,100)	1,198
Increase in deferred income	21,393	-
Employees benefits paid - unfunded	(4,816)	(2,202)
Taxes paid	(332,080)	(56,952)
	(316,603)	(57,956)
Net cash from operating activities	904,337	75,637
Cash flows from investing activities		
Capital expenditure	(127,575)	(370,706)
Interest received	111,511	106,133
Net cash used in investing activities	(16,064)	(264,573)
Cash flows from financing activities		
Long term financing repaid	(221,111)	(210,000)
Finance cost paid	(97,882)	(123,400)
Dividends paid	(91,242)	(73,512)
Net cash used in financing activities	(410,235)	(406,912)
(Decrease) / Increase in cash and cash equivalents	478,038	(595,848)
Cash and bank balances at beginning of the period	2,950,816	3,779,987
Cash and bank balances at end of the period	<u>3,428,854</u>	<u>3,184,139</u>

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.


Lt Gen (R) Raza Muhammad Khan
 Managing Director/CEO


Qaiser Javed
 Director

MARI GAS COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THREE MONTHS ENDED SEPTEMBER 30, 2012

	Share capital	Undistributed percentage return reserve	Reserve for issuance of bonus shares	Exploration and evaluation reserve	Profit and loss account	Total
	(Rupees in thousand)					
Balance as at June 30, 2011	735,000	490,220	-	4,057,194	5,388,001	10,670,415
Total comprehensive income for the period	-	-	-	-	792,596	792,596
Reserve for issuance of bonus shares	-	(183,750)	183,750	-	-	-
Exploration and evaluation reserve	-	-	-	611,620	(611,620)	-
Balance as at September 30, 2011	735,000	306,470	183,750	4,668,814	5,568,977	11,463,011
Total comprehensive income for the period	-	-	-	-	322,570	322,570
Dividends	-	-	-	-	(309,435)	(309,435)
Undistributed percentage return reserve	183,750	113,578	(183,750)	-	(113,578)	-
Exploration and evaluation reserve	-	-	-	(518,405)	518,405	-
Balance as at June 30, 2012	918,750	420,048	-	4,150,409	5,986,939	11,476,146
Total comprehensive income for the period	-	-	-	-	379,519	379,519
Exploration and evaluation reserve	-	-	-	15,568	(15,568)	-
Balance as at September 30, 2012	<u>918,750</u>	<u>420,048</u>	<u>-</u>	<u>4,165,977</u>	<u>6,350,890</u>	<u>11,855,665</u>

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.



Lt Gen (R) Raza Muhammad Khan
 Managing Director/CEO



Qaiser Javed
 Director

MARI GAS COMPANY LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THREE MONTHS ENDED SEPTEMBER 30, 2012

1. LEGAL STATUS AND OPERATIONS

Mari Gas Company Limited ("the Company") is a public limited company incorporated in Pakistan on December 04, 1984 under the Companies Ordinance, 1984. The shares of the Company are listed on the Karachi, Lahore and Islamabad stock exchanges in Pakistan. The Company is principally engaged in exploration, production and sale of hydrocarbons. The gas price mechanism is governed by Mari Gas Well Head Price Agreement ("the Agreement") dated December 22, 1985 between the President of Islamic Republic of Pakistan and the Company. The registered office of the Company is situated at 21 Mauve Area, 3rd Road, G-10/4, Islamabad.

2. STATEMENT OF COMPLIANCE

This condensed interim financial information of the Company for the three months period ended September 30, 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2012.

4. GAS PRICE MECHANISM

In terms of the Agreement, well head gas price for each ensuing year is determined in accordance with the principles of gas price formula set out in Article II of the Agreement. The Agreement states that the gas price will be at the minimum level to ensure that total revenues generated from sale of gas and other income are sufficient to provide a minimum return of 30%, net of all taxes, on Shareholders' Funds (as defined in the Agreement) after maintaining specified ratios and deductibles. The return to shareholders is to be escalated in the event of increase in the Company's production beyond the level of 425 MMSCFD at the rate of 1%, net of all taxes, on Shareholders' Funds for each additional 20 MMSCFD of gas or equivalent oil produced, prorated for part thereof on annual basis, subject to a maximum of 45%.

Effective July 01, 2001, the Government of Pakistan (GoP) has authorized the Company to incur expenditure not exceeding Rupee equivalent of US\$ 20,000,000 per annum or 30% of the Company's annual gross sales revenue as disclosed in the last audited financial statements, whichever is less, in connection with exploration and development in any concession area other than Mari Field, provided that if such exploration and development results in additional gas or equivalent oil production, the revenues generated from such additional gas or equivalent oil production shall be credited to and treated as revenue under the Agreement. Subsequently, the Economic Coordination Committee of the cabinet gave its approval for enhancing the limit of US\$ 20,000,000 per annum by US\$ 5,000,000 each year upto US\$ 40,000,000 per annum over a period of four years effective January 1, 2012.

5. UNDISTRIBUTED PERCENTAGE RETURN RESERVE

The amount held in this reserve represents the balance of the percentage return reserve on Shareholders' Funds as defined in the Agreement.

	<u>30.09.2012</u>	<u>30.06.2012</u>
	(Rupees in thousand)	
Undistributed percentage return reserve	420,048	490,220
Transferred from profit and loss account	-	113,578
	420,048	603,798
Less: Bonus shares issued	-	(183,750)
	<u>420,048</u>	<u>420,048</u>

6. PROFIT AND LOSS ACCOUNT

The amount of Rs 6,350.890 million (June 2012 Rs 5,986.939 million) represents the following:

6.1 Undistributable balance

The amount of Rs 6,161.954 million (June 2012: Rs 5,922.076 million), which is not distributable, has been provided through the operation of Article II of the Agreement to meet the obligations and to the extent indicated for the following:

	Generated upto June 30, 2012	Generated during Three months ended September 30, 2012	Generated upto September 30, 2012
	(Rupees in thousand)		
a) Rupee element of capital expenditure (net of depreciation /amortization) and repayment of borrowings	5,657,305	239,878	5,897,183
b) Maintenance of debt service ratio	90,234	-	90,234
c) Maintenance of current ratio	174,537	-	174,537
Total	<u>5,922,076</u>	<u>239,878</u>	<u>6,161,954</u>
Year ended June 30, 2012	<u>5,354,192</u>	<u>567,884</u>	<u>5,922,076</u>

	<u>31.09.2012</u>	<u>30.06.2012</u>
	(Rupees in thousand)	
6.2 Distributable balance		
Opening balance	64,863	33,809
Add: Return on shareholders' funds for the period	124,073	454,067
	188,936	487,876
Less: Dividend paid during the period	-	(309,435)
Transferred to undistributed percentage return reserve	-	(113,578)
	-	(423,013)
	188,936	64,863

This represents guaranteed return @ 37.07% on Shareholders' Funds for three months ended September 30, 2012. It also includes the additional return of Rs 64.863 million @ 7.06% guaranteed to shareholders on account of increased oil and gas production for the year ended June 30, 2012.

	Note	<u>30.09.2012</u>	<u>30.06.2012</u>
		(Rupees in thousand)	
7. LONG TERM FINANCING - SECURED			
Loan for Mari field development	7.1		
Opening balance		1,140,000	1,520,000
Amount repaid during the period / year		(190,000)	(380,000)
		950,000	1,140,000
Amount payable within next twelve months shown as current maturity		(380,000)	(380,000)
		570,000	760,000
Loan for Zarghun field development	7.2		
Opening balance		248,889	200,000
Amount received during the period / year		-	100,000
Amount repaid during the period / year		(31,111)	(51,111)
		217,778	248,889
Amount payable within next twelve months shown as current maturity		(62,222)	(62,222)
		155,556	186,667
		725,556	946,667

7.1 The Company arranged a Syndicated Term Finance Loan amounting to Rs 1,900 million from a consortium of banks led by Bank Alfalah Limited for financing of drilling of three wells in Mari Deep, Goru B reservoirs. The mark-up is payable semi-annually in arrears on the outstanding facility amount at six months KIBOR +1.35% per annum. The effective mark-up rate for the period ended September 30, 2012 was 13.11% per

annum (June 30, 2012: 14.60% per annum). The loan is repayable in ten equal semi-annual installments after a grace period of 24 months from the date of first disbursement. Five installments amounting to Rs 950 million have been paid upto September 30, 2012 (June 30, 2012: Rs 760 million). Loan is secured by a first pari passu charge by way of hypothecation over all present and future fixed and current assets and businesses, and first pari passu equitable mortgage over Company's all existing or future immovable property.

7.2 In order to finance Zarghun Gas Field, the Company arranged another Term Finance Loan of Rs 1,112 million from Habib Bank Limited. Out of loan amount, a sum of Rs 300 million has been disbursed upto September 30, 2012. The mark-up is payable semi-annually in arrears on the outstanding facility amount at the average of the six months KIBOR + 1.35% per annum. The effective mark-up rate for the period ended September 30, 2012 was 12.81% per annum (June 30, 2012: 14.16% per annum). The loan is repayable in ten equal semi-annual installments after a grace period of 24 months from date of first disbursement. Three installments amounting to Rs 82 million have been paid upto September 30, 2012 (June 30, 2012: 51 million). The availability period for draw down has been extended till December 31, 2012. Loan is secured by a first pari passu charge over present and future assets of the Company by way of hypothecation, equitable mortgage and floating charge of an amount of Rs 2.12 billion.

	30.09.2012	30.06.2012
	(Rupees in thousand)	
8. DEFERRED LIABILITIES		
Provision for decommissioning cost	4,257,659	4,257,659
Provision for employee benefits - unfunded	107,809	105,946
Provision for compensated leave absences	52,003	52,003
Deferred income	21,393	-
	<u>4,438,864</u>	<u>4,415,608</u>
9. TRADE AND OTHER PAYABLES		
Creditors	192,546	408,357
Accrued liabilities	436,756	333,539
Retention and earnest money deposits	19,466	15,638
Gratuity funds	169,328	137,498
Unclaimed dividend	6,613	6,640
Unpaid dividend	1,499	92,714
Gas development surcharge	12,711,511	11,398,283
General sales tax	624,131	654,887
Excise duty	116,402	123,956
Gas infrastructure development cess	1,371,868	1,306,728
Workers' welfare fund	484,273	457,732
Workers' profits participation fund	44,768	141,957
Joint venture partners	178,803	353,840
Royalty	54,707	110,512
Deferred interest income	581,164	408,393
Provisional adjustment as per the Mari Gas Well Head Price Agreement	27,780	-
	<u>17,021,615</u>	<u>15,950,674</u>

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

- (i) Due to circular debt in the oil and gas industry and instructions of the Government of Pakistan (GoP), the Company has not recognized interest income of Rs 4,504.358 million (June 30, 2012: Rs 4,121.829 million) on amounts due from Pakistan Electric Power Company (PEPCO) and has also not made any provision in this condensed interim financial information for interest expense of Rs 2,005.041 million (June 30, 2012: Rs 2,005.041 million) payable to the Government of Pakistan (GoP) on account of late payment of Gas Development Surcharge. However, such non - recognition does not affect the current period or future years' profit after taxation which includes the guaranteed return to shareholders under the Agreement.
- (ii) Indemnity bonds given to Collector of Customs against duty concessions on import of equipment and materials amounted to Rs 5.225 million (June 30, 2012: Rs 5.225 million).

	30.09.2012	30.06.2012
	(Rupees in thousand)	
10.2 Commitments		
(i) Capital expenditure		
- Share in joint ventures	3,447,504	3,561,471
- Others	765,183	1,016,380
	<u>4,212,687</u>	<u>4,577,851</u>
(ii) Operating lease rentals due:		
- Less than one year	26,574	27,289
- More than one year but less than five years	53,813	59,154
	<u>80,387</u>	<u>86,443</u>
11. PROPERTY, PLANT AND EQUIPMENT		
Opening book value	4,472,186	4,787,239
Additions during the period / year	95,891	432,329
Transferred (to) / from exploration and evaluation assets	-	(285,401)
Written down value of disposals	-	(243)
Depreciation for the period / year	(122,140)	(461,738)
	<u>4,445,937</u>	<u>4,472,186</u>

	Note	<u>30.09.2012</u>	<u>30.06.2012</u>
(Rupees in thousand)			
12.			
DEVELOPMENT AND PRODUCTION ASSETS			
Opening book value		3,424,616	3,392,447
Additions during the period / year		-	177,138
Amortization for the period / year		(36,444)	(144,969)
Closing book value		<u>3,388,172</u>	<u>3,424,616</u>
13.			
EXPLORATION AND EVALUATION ASSETS			
Opening balance		4,150,409	4,057,194
Additions during the period / year	13.1	31,683	1,203,621
Transfer from / (to) property, plant and equipment		-	285,401
Cost of dry and abandoned wells written off		-	(313,483)
Impairment of well cost		-	(938,895)
Depreciation for the period / year		(16,115)	(143,429)
		15,568	93,215
Closing balance		<u>4,165,977</u>	<u>4,150,409</u>
13.1			
Additions during the period / year			
Karak block		(64,734)	502,035
Ziarat block		76	5,667
Sujawal block		12,281	5,631
Sukkur block		2,848	119,565
Hana block		100	-
Hala block		(13,923)	197,526
Kohat Block		95,035	372,651
Oman block		-	546
		<u>31,683</u>	<u>1,203,621</u>

	<u>30.09.2012</u>	<u>30.06.2012</u>
	(Rupees in thousand)	
14. TRADE DEBTS		
Associated undertakings - considered good		
Pakistan Electric Power Company	8,216,910	7,815,079
Foundation Power Company Daharki Limited	5,731,937	4,560,818
Fauji Fertilizer Company Limited	988,764	1,141,376
Sui Southern Gas Company Limited	30,269	35,666
Sui Northern Gas Pipelines Limited	120,242	105,401
Foundation Gas	11,126	19,377
	<u>15,099,248</u>	<u>13,677,717</u>
Others - considered good		
Engro Fertilizer Limited	344,688	410,636
Fatima Fertilizer Company Limited	213,231	184,731
Byco Petroleum Pakistan Limited	614,192	614,192
National Refinery Limited	102,477	112,339
Attock Refinery Limited	183,846	151,870
	<u>16,557,682</u>	<u>15,151,485</u>

14.1 Trade debts include overdue amounts of Rs 12,941.659 million (June 30, 2012: Rs 11,438.492 million). Based on the measures undertaken by the Government of Pakistan (GoP) to resolve the Inter-Corporate Circular Debt issue, the Company considers the above amounts to be fully recoverable.

	<u>30.09.2012</u>	<u>30.06.2012</u>
	(Rupees in thousand)	
15. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLE		
Loans and advances	343,075	369,899
Short term prepayments	111,948	28,844
Interest accrued	12,269	17,216
Other receivable (note 15.1)	643,219	534,265
Income tax paid in advance	16,658	194,216
Receivable under Mari Gas Well Head Price Agreement	-	679,564
	<u>1,127,169</u>	<u>1,824,004</u>

15.1 Other receivable includes Rs 630.420 million (June 30, 2012: 454.808 million) receivable from Foundation Power Company Daharki Limited (an associated undertaking).

	Note	30.09.2012	30.09.2011
(Rupees in thousand)			
16. GROSS SALES TO CUSTOMERS			
Sale of:			
Gas	16.1	14,759,566	8,473,636
Crude Oil	16.2	407,908	2,914
Less: Transportation charges		11,551	297
		396,357	2,617
Condensate	16.3	114,813	163,622
Less: Transportation charges		9,590	2,275
		105,223	161,347
LPG	16.4	18,562	67,638
Own Consumption of gas		6,815	4,306
		<u>15,286,523</u>	<u>8,709,544</u>
16.1 This represents sale of gas as per detail below:			
Mari Field		14,695,624	8,409,338
Sukkur block		35,856	-
Hala block		25,807	61,497
Kohat block		2,279	2,801
		<u>14,759,566</u>	<u>8,473,636</u>
16.2 This represent sale of Crude oil as per detail below:			
Ziarat block		-	2,914
Karak block		407,908	-
		<u>407,908</u>	<u>2,914</u>
16.3 This represent sale of Condensate as per detail below:			
Mari Field		72,073	82,814
Hala block		42,504	80,144
Kohat block		236	664
		<u>114,813</u>	<u>163,622</u>
16.4 This represent sale of LPG from Hala block.			

	<u>30.09.2012</u>	<u>30.09.2011</u>
	(Rupees in thousand)	
17. OPERATING EXPENSES		
Salaries, wages and benefits	340,543	276,383
Rent, rates and taxes	2,404	3,796
Legal and professional services	1,425	1,150
Fuel, light, power and water	20,443	24,170
Maintenance and repairs	37,487	25,890
Insurance	11,297	10,855
Depreciation	138,255	124,155
Amortization	36,444	76,438
Employees medical and welfare	40,376	26,188
Field and other services	87,667	84,277
Travelling	4,604	5,583
Communications	2,630	3,202
Printing and stationery	1,099	889
Office supplies	1,396	1,549
Technical software	1,413	3,091
Mobile dispensary and social welfare	18,614	22,908
Training	4,905	3,302
Advertisement	495	1,043
Books and periodicals	104	60
Public relations and social activities	396	644
Directors' fee and expenses	1,605	572
Freight and transportation	987	147
Subscription	1,236	1,735
Rig - Operating expenses	46,761	66,283
Research and development	3,112	-
Sukkur block	11,527	-
Hala block	46,510	46,568
Kohat block	4,557	15,261
Karak block	65,169	-
Miscellaneous	2,055	108
	<u>935,516</u>	<u>826,247</u>
Less: Recoveries from joint ventures	<u>71,430</u>	<u>60,372</u>
	<u>864,086</u>	<u>765,875</u>
18. OTHER OPERATING INCOME		
Rig rental income	-	96,614
Amine sweetening rental income	6,118	-
Line heater rental income	8,523	10,288
Caravans rental income	1,664	-
Miscellaneous	1,006	359
	<u>17,311</u>	<u>107,261</u>

	<u>30.09.2012</u>	<u>30.09.2011</u>
	(Rupees in thousand)	
19. FINANCE COST		
Mark up on long term financing - secured	44,039	56,358
Interest on WPPF	4,973	-
Bank charges	65	38
	<u>49,077</u>	<u>56,396</u>
20. PROVISION FOR TAXATION		
Current	509,638	333,629
Deferred	(65,105)	(174,788)
	<u>444,533</u>	<u>158,841</u>
21. EARNING PER SHARE		
Distributable profit	124,073	111,311
Profit after taxation	379,519	792,596
Number of fully paid weighted average ordinary shares (000)	<u>91,875</u>	<u>91,875</u>
Earning per share based on:		
Distributable profit	1.35	1.21
Profit after taxation	4.13	8.63
22. TRANSACTIONS WITH RELATED PARTIES		
	<u>30.09.2012</u>	<u>30.09.2011</u>
	(Rupees in thousand)	
Gross sale of gas to related parties is as follows:		
Pakistan Electric Power Company (PEPCO)	2,644,831	1,883,403
Foundation Power Company Daharki Limited	1,706,431	1,107,567
Fauji Fertilizer Company Limited	6,955,380	3,191,362
Sui Southern Gas Company Limited	30,269	64,588
Sui Northern Gas Pipelines Limited	189,237	2,801
Foundation Gas	18,562	67,638
Other income on rental of heaters to Foundation Power Company Daharki Limited	8,523	10,288
Remuneration of chief executive and key management personnel	270,535	174,022
Contribution to employees benefit funds	39,508	39,601

23. GENERAL

- 23.1 The comparative figures have been re-arranged and/ or reclassified, wherever necessary, for the purpose of comparison.
- 23.2 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.
- 23.3 This condensed interim financial information was authorized for issue on October 25, 2012 by the Board of Directors of the Company.



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